

NEEDHAM GOLF CLUB

**49 GREEN STREET
NEEDHAM, MASSACHUSETTS 02556**

Mr. Charles N. Farrell
c/o Needham Golf Club
49 Green Street
Needham, MA 02494

Dear Mr. Farrell:

At your request, we have examined the fair market value of the 58.69 acres of town land owned by the town currently a portion of the practice range. The town while the club owns about 6.5 acres currently leased by the club, however should provide guidance to the club as

Our summary report that follows is presented.

AUTHORIZED BY:

Mr. Charles N. Farrell
c/o
Needham Golf Club
49 Green Street
Needham, MA 02494

DATE OF VALUATION:

January 1, 2008

PREPARED BY:

WELLSPEAK DUGAS & KANE
700 West Johnson Avenue
Cheshire, Connecticut 06410



WELLSPEAK DUGAS & KANE, L.L.C.

Golf Advisory Group

January 3, 2008

Mr. Charles Farrell
c/o Needham Golf Club
49 Green Street
Needham, MA 02494

Re: Needham Golf Club
49 Green Street
Needham, Massachusetts 02494

Dear Mr. Farrell:

At your request, we have examined the above-referenced property for the purpose of estimating its fair market rent. Our report is to assist the club in responding to a RFP by the town of Needham involving the 58.69 acres of town owned land used by the club to support its golf operation. The land owned by the town currently supports all of the nine holes, except the 9th green, and a small portion of the practice range. The land also supports a caretaker's house and maintenance building, while the club owns about 6.5 acres that supports the clubhouse and parking lot. The property is currently leased by the club, however a lease renewal at market terms is anticipated, thus our report should provide guidance to the club in their effort to renew, or restructure the lease terms.

Our summary report that follows sets forth pertinent data and analyses leading to the conclusions presented.

Respectfully submitted,

Jeffrey R. Dugas, MAI

EXECUTIVE SUMMARY

Property Type	9-hole private golf club
Property Address	49 Green Street, Needham, Massachusetts
Owner of Record	58.69 acres - town of Needham 6.5 acres - Needham Golf Club
Purpose of Appraisal	To estimate the fair market rent of the property owned by the town of Needham
Intended Use of Appraisal	Internal decision making
Effective Date of Appraisal	January 1, 2008
Clubhouse Building Area	6,690 square feet, owned by the club
Highest and Best Use	public golf course

VALUES INDICATED

Fair Market Rent.....\$170,000

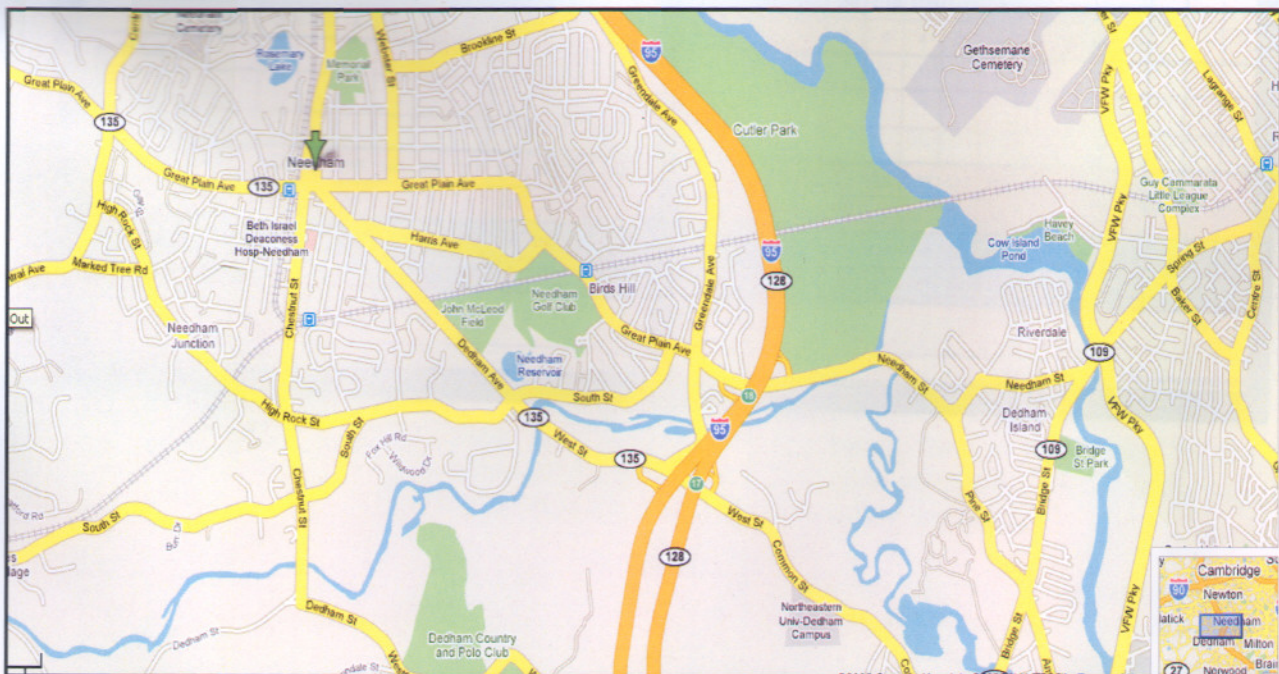
PROPERTY IDENTIFICATION

Location	49 Green Street, Needham, Massachusetts
Property Type	9-hole private golf club
Property Owner of Record	58.69 acres - town of Needham 6.5 acres - Needham Golf Club
Property History	<p>The Town of Needham acquired rights to the land that the Needham Golf Club now occupies in 1898. At that time the land was part of the watershed area to the Town's water supply. The then town "Water Board" had oversight responsibility for the land. The Water Board authorized the construction of the golf course and gave the Needham Golf Course the charge of protecting and maintaining the land and the water supply. Wayne Stiles, a disciple of Donald Ross, was secured to be the golf course architect. The Needham Golf Course was first opened for play in 1901.</p>




PROPERTY DESCRIPTION (continued)**LOCATION****Community/Neighborhood**

The Needham Golf Club is well located with road frontage along Green Street and Great Plain Road, near a full interchange with I-95/128, in an affluent Boston suburb. The town of Needham is located on rocky uplands within a loop of the Charles River in the eastern section of Norfolk County, Massachusetts. It is bordered by Wellesley on the west and northwest, Newton on the north and northeast, the West Roxbury section of Boston on the east, Dedham on the southeast and south, and Westwood and Dover on the south. Needham is 10 miles southwest of Boston, 29 miles east of Worcester, and about 208 miles from New York City. Needham has a total land area of 12.75 square miles. As of the census of 2000, there were 28,911 people, 10,612 households, and 7,778 families residing in the town. The population density was 2,292.7 people per square mile. The median income for a household in the town was \$88,079, and the median income for a family was \$107,570. The per capita income for the town was \$44,549. Needham is the home of the largest Coca Cola plant in New England. Needham has an active housing market, with an average of 400 plus home sales each year. The median home price dropped in 2007 for the second consecutive year to \$597,000 from \$640,000 in 2006.



PROPERTY DESCRIPTION (continued)**Improvements**

The property represents a 9-hole private golf club. It reportedly opened in 1901, designed by Wayne Stiles. However, reports also suggest that it was established in 1923 and designed by Donald Ross. Either way, the course plays to a length of 3,109 yards with a par 35, a slope of 128 and a course rating of 69.2. In 1988 Brain Silva of Cornish Silva completed some renovations to the golf course, mainly to the 6th, 7th & 8th green. Two of these holes, 7 & 8 are located on the north side of the rail line, separate from the rest of the property and requiring passage over the tracks. It should be noted that the 9th green and the practice green is situated on club owned land.

TIME OUT: _____ TIME IN: _____											 Needham Golf Club Established 1923													
HOLE NUMBER	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOT	H A N D I C A P	N E T S C O R E	A D J U S T
BLUE / WHITE	501	201	297	378	347	398	166	296	525	3109	481	184	287	374	324	379	137	281	514	2961	6070			
MEN'S 69.2 / 128	9	11	13	5	7	1	17	15	3		10	12	14	6	8	2	18	16	4					
PAR 71	501	201	297	378	347	398	166	296	525	3109	398	217	297	381	357	410	190	296	525	3071	6180			
MEN'S 69.5 / 131	10	12	14	6	8	2	18	16	4		1	11	15	7	9	3	13	17	5					
BLUE / GOLD	501	201	297	378	347	398	166	296	525	3019	398	217	297	381	357	410	190	296	525	3071	6090			
MEN'S 69.5 / 131	12	14	16	6	8	2	18	10	4		1	11	15	7	9	3	13	17	5					
MATCH + OR -																								
PACE OF PLAY	:16	:28	:42	:57	1:11	1:26	1:38	1:52	2:08	2:08	:15	:27	:41	:56	1:10	1:25	1:37	1:51	2:07	2:07	4:15			
PAR	5	3	4	4	4	4	3	4/3	5	36/35	5/4	3	4	4	4	4	3	4	5	36/35	72/70			
BEST BALL																								
RED / YELLOW	468	177	279	369	308	371	132	281	502	2887	462	166	274	315	301	367	117	277	497	2776	5663			
LADIES 72.4 / 132	7	15	11	5	9	3	17	13	1		6	16	10	8	12	4	18	14	2					
BLUE / WHITE	501	201	297	378	347	398	166	296	525	3109	481	184	287	374	324	379	137	281	514	2961	6070			
LADIES 75.1 / 133	5	13	11	7	9	3	15	17	1		10	16	12	8	6	2	14	18	4					
DATE: _____ SCORER: _____											ATTEST: _____													

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Practice Area

There is a limited practice range, not in proximity to the clubhouse, and one that limits club selection. The landing area is not irrigated, and it has only a few tee boxes.

Course Condition

The course was found to be in average to good physical condition. Overall, the course has a moderately challenging layout with undulating greens, a number of bunkers, water hazards and moderate elevation changes.

PROPERTY IDENTIFICATION (continued)

Tees Three tee boxes are provided for each hole, generally circular in shape and of various size, ranging from 5,000 to 6,000 square feet, averaging 5,775 square feet. The tees represent old “push up” construction with bent and poa grass cover.

Greens Generally circular, highly undulating greens and without subsurface drainage. The greens were built as old “push ups”, and average 4,276 square feet in size.



Fairways Predominantly tree-lined and 30 to 40 yards in width containing 10 total acres. The fairways consist of bent and poa grass.

Features and Hazards The golf course provides 26 fairway and greenside bunkers which are for the most part strategically placed.

Various water courses and ponds increase the difficulty of the course, and add to its visual appeal.

Cart Paths Minimal cart paths, asphalt paths found mostly around greens and tees and on par 3's.

Irrigation Single row, mostly automated Rainbird, Toro and Hunter mix. Water for the course is purchased from the town of Needham.

Practice Area There is a limited practice range, not in proximity to the clubhouse, and one that limits club selection. The landing area is not irrigated, and it has only a few tee boxes.

Conclusion The course was found to be in average to good physical condition. Overall, the course has a moderately challenging layout with undulating greens, a number of bunkers, water hazards and moderate elevation changes.

PROPERTY IDENTIFICATION (continued)**Clubhouse**

The club itself owns about 6.5 acres with frontage along Green Street. This site is used to support the clubhouse and parking lot for the golf operation, and its value should not be considered within the lease negotiations. The clubhouse is a one and two story structure, with a mostly finished basement, walk out at grade. The main floor supports dining functions, with seating of 65 in the grill room and 125 in the main banquet room. The lower level supports the men's locker room which was recently renovated with 250 new wood lockers. The wet area is still dated, with ceramic tile floors and walls, equipped with urinals, water closets and shower stalls. The building contains approximately 6,690 square feet of area.

The aerial photo below shows the clubhouse located near the 1st tee and 9th green and practice putting green, with the parking lot to the south. The maintenance building and caretaker's house is also located near the street frontage of Green Street, just to the north.



INCOME CAPITALIZATION APPROACH**ESTIMATION OF MARKET RENT** (continued)

On the following pages is a summary of golf course rental comparables, which are used as a means of estimating an appropriate market rent for the subject. Like restaurants, banquet halls and other forms of real estate, golf course rental agreements are typically structured on a percentage of gross operating income. Golf Course leases are difficult to find, especially recent arm's length transactions. And, differences in location, course characteristics and clubhouses make comparisons a challenge. The other challenge here, is that the members own roughly 6.5 acres of land which support the clubhouse, 9th green, and parking lot. It would be most difficult for the golf course to operate without this parcel, and these improvements. However, when determining the fair market rent, it is critical that consideration be given only to the 58 acres, with 9 golf holes and 8 greens.

INCOME CAPITALIZATION APPROACH**ESTIMATION OF MARKET RENT** (continued)**Golf Course Rental 1**

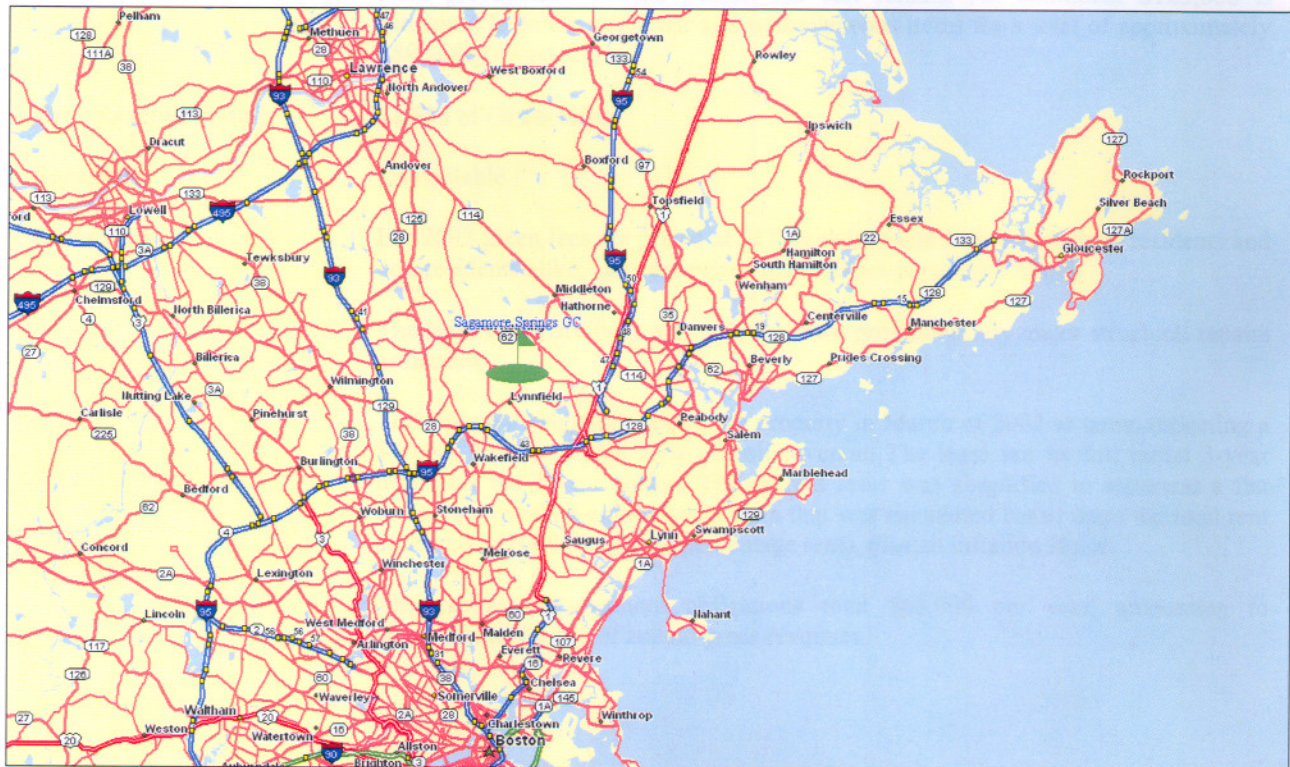
Course:	Sagamore Springs Golf Course
Location:	1282 Main Street, Lynnfield, Massachusetts
Lessor:	Sagamore Spring Real Estate Trust
Lessee:	Sagamore Golf Inc.
Date of Lease:	May, 2007
Terms:	15 Years
Lease Rate:	\$400,000 Year payable in ten (10) equal amounts of \$40,000. Rent increases at 3% per annum
Capital Improvements:	None
Renewal Option:	Yes
Purchase Option:	None
Holes:	18
Type:	Public
Improvements:	5,000 sf clubhouse, practice range
Total Revenue:	Trailing revenue of \$1,939,530 from April 2005 through March 2006. Golf revenue totaled about \$1.76 million plus \$167,000 in F&B and \$67,000 in pro shop sales.
Rent/Revenue (total):	20.6% of gross sales
Comments:	The course was constructed in 1928 and measures 5,958 yards. It is open to the public and hosts about 33,500 rounds annually, priced in 2007 at \$39 and \$45 to walk. Carts are \$15 and are optional at all times.

The property is subject to real estate taxes of \$31,000 based on a 2007 assessment of \$2,708,988 and a town tax rate of \$11.47 per \$1,000. The lessor is responsible for paying taxes, therefore no adjustment is required for "gross analysis". There is no mandatory provision for making capital improvements.



INCOME CAPITALIZATION APPROACH

ESTIMATION OF MARKET RENT

Golf Course Rental 1 (continued)

INCOME CAPITALIZATION APPROACH**ESTIMATION OF MARKET RENT** (continued)**Golf Course Rental 2** (continued)

Course:	Jamestown Country Club
Location:	Jamestown, Rhode Island
Lessor:	Town of Jamestown
Lessee:	Joseph Mistowski d/b/a New England Course Management, Inc.
Date of Lease:	February 26, 2007
Term:	Five years
Lease Rate:	\$172,000 flat rent per year
Capital Improvements:	There is a commitment of \$600,000 in capital improvements to be spent over a ten year term with the operator (lessee) responsible for \$60,000 per year. In addition, there is an annual \$8,000 charge for amortization of an effluent /irrigation system.
Renewal Option:	One, five-year option with CPI increase at time of renewal
Purchase Option:	None
Holes:	9
Type:	Public
Improvements:	Old-style open course of 3,046 yards. Improvements include a clubhouse of approximately 4,500 square feet with a small snack bar.
Total Revenue:	In 2006 under the same operator, the course reported \$668,780 in golf revenue from greens fees, season passes and cart rentals. An additional \$125,000 is estimated from the snack bar and miscellaneous items for a total of approximately \$800,000 (rounded).
Rent/Revenue (total):	21.5% of Gross Sales
Rent/NOI:	Unavailable
Comments:	<p>For 2007 green fees are priced at \$17 weekdays and \$18 weekends to residents and non-residents alike; carts are priced at \$6.50 per person per round.</p> <p>The lease terms are fully net, with the town providing only major structural repairs as needed.</p> <p>This operator originally leased the property in March of 2002 at terms reflecting a \$90,000 base rent plus 10% of golf revenue. The lease ran its full initial 3-year term plus the 2-year option. The current lease was simplified to represent a flat rental rate over the entire 5-year term that was calculated based upon the total rent collected in 2006 (including percentage rent), plus an inflation factor.</p> <p>The capital improvement obligations total \$68,000 per year, amounting to approximately 8.5% of annual gross revenues.</p>

INCOME CAPITALIZATION APPROACH

ESTIMATION OF MARKET RENT (continued)

Golf Course Rental 2 (continued)



\$275,000, respectively of gross revenue. Of the total, approximately \$16,000 was from food and beverage sales, \$6,000 from pro shop items and the balance from golf fees and cart rentals. Based upon similar history, Year One sales are estimated at \$280,000.

INCOME CAPITALIZATION APPROACH

ESTIMATION OF MARKET RENT (continued)

Golf Course Rental 3

Course: Minnechaug Golf Course
Location: Glastonbury, Connecticut
Lessor: Town of Glastonbury
Lessee: Matt Menchetti d/b/a MDM Golf
Date of Lease: January 2007
Term: Five years
Lease Rate: Years 1-3; \$35,000 per year
Years 2-5; \$40,000 per year

In addition, the tenant is responsible for percentage rent calculated at 10% of gross proceeds in excess of \$275,000 (excluding F&B revenues)

Capital Improvements: The tenant is mandated to spend a minimum of \$10,000 per year on capital improvements.

In addition, the tenant is responsible for installing new drainage systems for all nine greens. At minimum, three greens are to be completed per year commencing with year one of the lease. The tenant owns a golf course construction/excavation company and so will be able to complete this additional work at cost. However, the work has a value to the town estimated at around \$3,000 per green, or \$10,000 (rounded) per year in each of the first three years of the lease.

Renewal Option: One, five-year option at the following base rental amounts and same percentage rent:

Year 6; \$40,000 per year
Years 7-10; \$45,000 per year

Purchase Option: None

Holes: 9

Type: Public

Improvements: Short and very tight nine-hole course originally constructed in 1949. In 1987, the property was purchased by a developer who re-configured the tract in order to accommodate a 135-unit condominium development built on the property.

The current par 35 layout plays to 2,668 yards on 53 acres of land. The signature hole is the par three 8th with island green. There is a practice putting green but no driving range.

The course is supported by a 2,200 square foot clubhouse building with a snack bar and very small pro shop.

Total Revenue: In 2005 and 2006 under a prior operator, the course reported \$276,000 and \$279,000, respectively of gross revenue. Of the total, approximately \$16,000 was from food and beverage sales, \$6,000 from pro shop items and the balance from golf fees and cart rentals. Based upon stable history, Year One sales are estimated at \$280,000.

INCOME CAPITALIZATION APPROACH

ESTIMATION OF MARKET RENT

Golf Course Rental 3 (continued)

Rent/Revenue (total): 12.7% of Gross Sales

Rent/NOI: Unavailable

Comments: For 2007 green fees are priced at \$13 weekdays and \$14 weekends to residents while non-residents are charged a \$1.00 per round premium; carts are priced at \$7.00 per person per round.

The lease terms are fully net, with the town providing only major structural repairs as needed. Initially percentage rent is not expected to be triggered. However, by applying a 3% growth rate to Year 1 revenue, this will start to come into play in Year 3. Over the initial term of the lease, the average rental payment, to include percentage rent, will equate to around 12.7% of gross sales with capital improvement obligations of 5.4%.

Over the entire 10-year term, the average rent will equate to 13.5% of gross sales plus capital obligations of 4.0%.

The prior operator paid \$41,561 in rent in 2006 which equated to 14.9% of revenue based upon actual gross proceeds of \$278,772. The tenant also made mandated \$10,000 in capital improvement charges, or 3.6% of sales. This tenant had been in place since 1997 but decided not to seek a renewal when the 3-year term expired at the end of 2006. The 2007 request for proposals resulted in two solicitations of which the MDM one was accepted.



INCOME CAPITALIZATION APPROACH

ESTIMATION OF MARKET RENT (continued)

Golf Course Rental 3 (continued)

